

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 /084 W
-----082236 221147Z /20

R 221211Z MAR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4417
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA

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USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
USMTN ALSO FOR MISSION

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR UK
SUBJECT: HOUSE OF COMMONS DEBATE ON THE CAP

BEGIN SUMMARY: HOUSE OF COMMONS DEBATED CAP WITH
PARTICULAR REFERENCE TO PRICE DETERMINATIONS ON MARCH 21
1978. AFTER THE VIOLENT DISAGREEMENTS OF RECENT MONTHS
OVER GREEN POUND AND MCA MATTERS, THERE WAS A REMARKABLE
DEGREE OF UNANIMITY RIGHT ACROSS THE HOUSE ON THIS
OCCASION. END SUMMARY.
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1. ON MARCH 21, 1978 THE HOUSE OF COMMONS DEBATED A
GOVERNMENT MOTION ENDORSING THE AIM OF NEGOTIATING A
1978-79 CAP PRICE SETTLEMENT WHICH WOULD TAKE INTO
ACCOUNT THE INTERESTS OF CONSUMERS AS WELL AS PRODUCERS.
LABOUR BACK-BENCHERS TABLED AN AMENDMENT WHICH CALLED ON
MINISTERS TO INSIST UPON THE MAXIMUM RESTRAINT ON ALL CAP

PRICES, ESPECIALLY THOSE FOR COMMODITIES IN STRUCTURAL SURPLUS.

2. THE DEBATE WAS OPENED BY AGRICULTURE MINISTER SILKIN WHO SAID PRICES ALWAYS LIE AT THE CENTRE OF EACH YEAR'S DIFFICULT NEGOTIATIONS AND HE DEPLORED THE TENDENCY FOR SOME OTHER EC COUNTRIES TO SEEK HIGHER FARM PRICE LEVELS AS BEING DESIRABLE IN THEMSELVES FOR REASONS OF INTERNAL POLICY. THE UK STAND ON THE OTHER HAND HAS BEEN TO PREVENT EXCESSIVE PRICE LEVELS WHICH THE UK BELIEVES DAMAGE THE WHOLE COMMUNITY. IN PRESENT CIRCUMSTANCES, UK INTERESTS ARE DAMAGED MORE THAN THOSE OF OTHER COUNTRIES. QUOTING A RECENT STUDY BY THE CAMBRIDGE DEPARTMENT OF APPLIED ECONOMICS, SILKIN SAID THE DIRECT UK BOP COST OF THE CAP WAS ABOUT ONE BILLION POUNDS PER YEAR AND BY 1980 WOULD RISE TO 1.2 BILLION POUNDS AT 197 PRICES. SECONDLY, FOOD PRICES IN THE UK ARE HIGHER THAN THEY WOULD BE IN THE ABSENCE OF THE CAP AND THIRDLY, BECAUSE OF THE BOP COST THE UK'S ECONOMIC EXPANSION WAS CONSTRAINED. HE SAID THE CAMBRIDGE STUDY DEMONSTRATED THAT HMG WAS RIGHT TO MAKE REFORM OF THE CAP THEIR CENTRAL AIM, PARTICULARLY THE REDUCTION OF CAP PRICES IN REAL TERMS. BY CONTROLLING THE COST OF THE CAP, BASICALLY ELIMINATING STRUCTURAL SURPLUSES, THE UK WOULD SEE A BIG REDUCTION IN ITS PAYMENTS INTO THE EC BUDGET. SILKIN SAID HE THEREFORE HAD NO DIFFICULTY IN ACCEPTING UNCLASSIFIED

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THE LABOUR BACK-BENCH AMENDMENT.

3. THE MINISTER ALSO AGAIN SPOKE ABOUT THE FUTURE ROLE OF MILK MARKETING BOARDS AND SAID THEY MUST BE MADE SECURE. THE COMMISSION'S PROPOSALS FOR THEIR CONTINUATION PRESENTED SOME DIFFICULTIES BUT THEY OFFERED AN OPPORTUNITY FOR SECURITY. DOORSTEP DELIVERIES OF FLUID MILK WERE DESIRABLE ON ECONOMIC AND SOCIAL GROUNDS AND THEIR LOSS, AS EXPERIENCE ELSEWHERE SHOWED, LED TO A MARKED DROP IN CONSUMPTION AND RISES IN INTERVENTION STOCKS OF DAIRY PRODUCTS.

4. MICHAEL JOPLING, OPPOSITION SPOKESMAN ON AGRICULTURE, SAID THE PROPOSED CAP PRICE RISE OF 1.9 PERCENT WAS ADEQUATE IN THE CIRCUMSTANCES. IT WAS NECESSARY THAT MARKET FORCES OPERATED SO THAT FURTHER EXPANSION AND EVEN A CUTBACK IN PRODUCTION WOULD OPERATE ON COMMODITIES IN SURPLUS. THE UK FARMING INDUSTRY WHICH NEEDED HIGHER PRICES WOULD BENEFIT FROM THE 7.5 PERCENT DEVALUATION OF THE GREEN POUND AND THE END OF TRANSITION ON DECEMBER 31 LAST. HAVING RECEIVED THESE BENEFITS, BRITISH FARMERS COULD NOT EXPECT FURTHER PRICE INCREASES FROM CAP PRICE

RISES. THE OPPOSITION STILL PURSUED A POLICY OF ENDING
LARGE GREEN POUND DISCREPANCIES AND HIGH MCA'S, HOWEVER.

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5. OTHER SPEAKERS IN THE DEBATE FROM ALL SIDES ECHOED
THE VIEWS OF FRONT-BENCH SPOKESMEN ON THE FUTURE OF MILK
MARKETING BOARDS. OTHER POINTS RAISED INCLUDED THE
PROBABLE FUTURE SHEEPMEAT CAP AND THE IMPORTANCE OF A
"LIBERAL" REGIME WAS STRESSED. IF FRENCH LAMB PRICES
WERE USED AS THE CRITERION IT WOULD BE DISASTROUS BOTH
FOR BRITISH PRODUCERS AND CONSUMERS AS WELL AS NEW
ZEALAND. THERE WAS A GENERAL CONSENSUS OF OPINION THAT
THE COMMISSION'S PRICE PROPOSALS WERE CORRECT.

6. WINDING UP THE DEBATE, ANOTHER OPPOSITION AGRICULTURE
SPOKESMAN, JAMES SCOTT-HOPKINS, SAID MINISTER SILKIN
COULD GO TO THE NEGOTIATIONS KNOWING HE HAD THE SUPPORT
OF THE CONSERVATIVES. SILKIN'S DEPUTY, GAVIN STRANG,
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AGREED ON THE NECESSITY FOR A LIBERAL SHEEPMEAT REGIME
BUT POINTED OUT THE DANGERS OF CONSERVATIVE POLICY ON A
QUICK ALIGNMENT OF THE GREEN POUND WHICH HE SAID WOULD
MEAN AN AVERAGE PRICE RISE FOR AGRICULTURAL PRODUCTS OF
AROUND 10 PERCENT.

7. THE LABOUR BACK-BENCH AMENDMENT WAS AGREED TO ALONG
WITH THE MOTION WITHOUT A DIVISION.

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